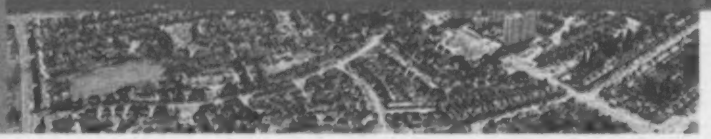
CANADA MORTGAGE AND HOUSING CORPORATION

HOUSING MARKET OUTLOOK

Windsor CMA



Date Released: Spring 2007

New Home Market

Demand for New Homes Down

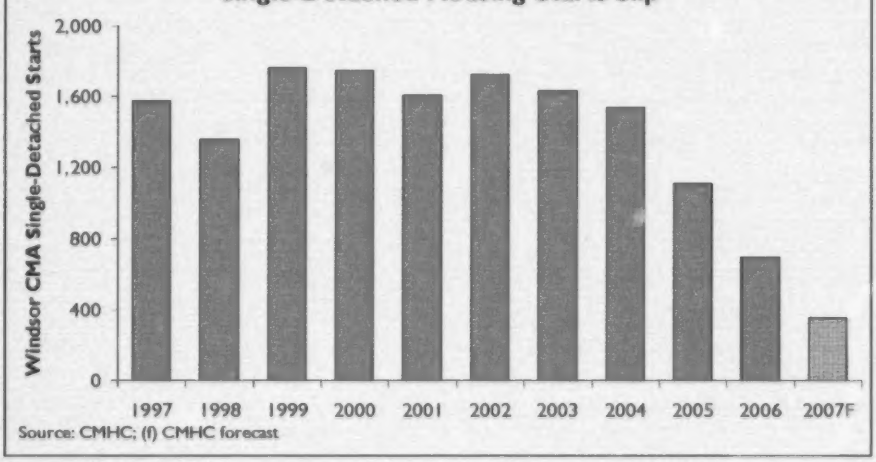
New home construction in the Windsor Census Metropolitan Area (CMA) in 2006 fell to its lowest level since 1985. Rising new home prices, lower employment growth, and greater choice in the resale home market will combine to weaken demand for new homes further in 2007. Total home starts will fall under 600, down 47 per cent from last year. All types will face weaker demand.

Single-detached home starts will fall to their lowest level since 1984. Construction will begin on a total of 350 single-detached homes in 2007, a drop of 35 per cent from 2006.

The average price of a new home in the Windsor CMA is nearly twice the cost of the average resale home. The average new single-detached house price in the Windsor CMA rose by 13 per cent between the first quarter of 2006 and the first quarter of 2007, down from the faster rate of price growth during last year. Demand for high end homes

Figure 1

Single-Detached Housing Starts Slip



Source: CMHC; (f) CMHC forecast

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has been strong enough to pull up prices in the Windsor CMA. Declining affordability has cut into demand for single-detached homes. With prices forecast to increase faster than the general rate of inflation in 2007, affordability will continue to be a limiting factor for many potential buyers. As mortgage carrying costs increase, home buyers will turn to more affordable types of new construction, especially apartments, as well as resale homes. Rental construction will be minimal, since the rental vacancy rate in Windsor is the highest in the country.

The other factors negatively impacting the construction of single-detached homes this year is the abundant supply of resale housing and the pending auto sector layoffs. The 183 apartment condominium units under construction at three different locations will provide sufficient supply for the next 18-24 months.

Resale Home Market

Resale to Cool in 2007

The resale home market in Windsor-Essex, which peaked in 2005, will continue to slow in 2007. Sales through the Windsor-Essex Real Estate Board will soften a further five per cent to 4,800 units following an 11 per cent decline in 2006. Conducive borrowing conditions will keep the resale market from falling further.

The supply of new listings has been moving higher since 2000. Although prices were relatively flat in 2006, the 18 per cent gain in the last five years will continue to encourage homeowners to list their homes for sale. New listings, a measure of supply, will remain high. A total of 12,000 homes will be listed for sale in 2007, up one per cent from the 2006 level.

Market tightness is measured by the sales to new listings ratio (SNLR)[1]. The SNLR has been trending lower after peaking in 2002. With supply outpacing demand in 2007, the Windsor-Essex resale market is expected to remain relatively stable and in favour of buyers.

As a result of the easing of the market in the last few years, the average of resale home prices is expected to drop to $162,400 in 2007, a decrease of one per cent from the 2006 level.

Economic Trends

Slower Job Growth

Employment is a key factor supporting housing demand. In 2007 employment in the Windsor CMA is forecast to decline by 3.1 per cent following an increase of 2.4 per cent in 2006. Weaker economic growth in the U.S. and the high Canadian dollar have negatively impacted export sales Most of the job losses will be in the goods-producing sector due to ongoing restructuring in the auto sector. The tourism sector has also been negatively affected due to border crossing difficulties and the smoking ban.

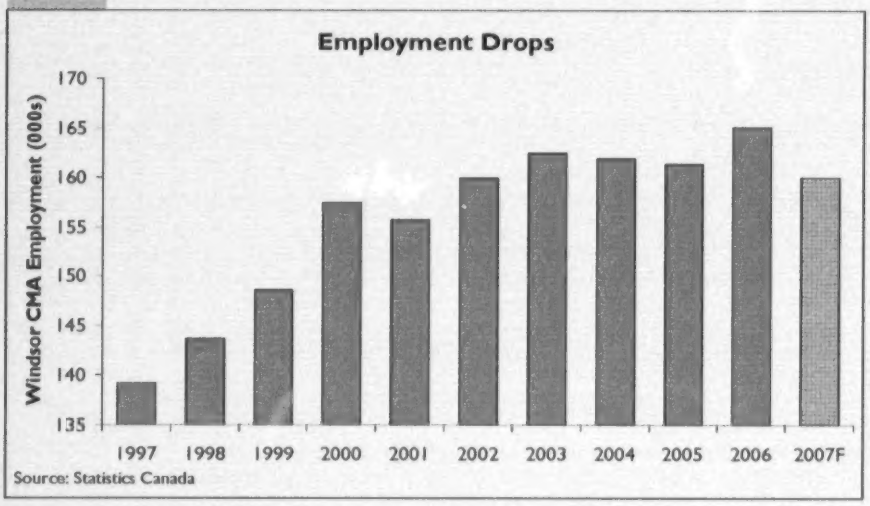
On the positive side, non-residential construction will be boosted by the ongoing casino renovation, the new arena and a proposed $160 million power generation plant. The shift from a goods-producing economy to a knowledge/service economy is proving to be a challenge in Windsor. Examples of the area's shift to a more knowledge-based economy include the new Centre for Engineering Innovation and the construction of the new University of Windsor medical school. This builds on the joint venture between the University of Windsor and DCX research and

Figure 2

Source: CREA (MLS®), CMHC forecast

[1] In Windsor-Essex, a ratio between 50 and 60 per cent indicates a balanced market in which prices tend to rise at the same rate as inflation.

Figure 3



development centre. The new Sutherland call centre, creating up to 1,000 technical support jobs, and the potential for another call centre will help the Windsor area to restructure.

Full-time employment is supports housing demand more than part-time employment. More than 7,000 full-time jobs were lost between March 2006 and March 2007, while the number of part-time jobs remained relatively stable. Although Windsor's unemployment rate is the highest in the country, it remains well below the 13-14 per cent range seen in the early 1980s.

Mortgage Rates Will Remain Low

A combination of a slowing economy, strong Canadian dollar vis-à-vis the U.S. dollar, and moderate inflation will help keep Canadian interest and mortgage rates low over the remainder of this year and in 2008.

Short-term mortgage rates will also ease as the prime rate nudges down over the next twelve months while the long-term mortgage rates will rise slightly in line with bond rates.

One, three and five-year posted mortgage rates are forecast to be in the 5.75-6.75, 6.00-7.00, and 6.25-7.25 per cent ranges respectively over the rest of this year and in 2008.

Population Growth Stable

Census data just released by Statistics Canada has shown that population growth in the Windsor CMA was below the Ontario average. Between 2001 and 2006, the population in the Windsor CMA grew by five per cent, reaching 323,342 in June 2006. In comparison, population growth in Ontario was 6.6 per cent. By municipality, Lakeshore and LaSalle had the strongest population growth at 15.7 and 9.4 per cent respectively compared to only 3.5 per cent in Windsor City. This is in line with the strong level of new residential construction in these two municipalities during the past five years.

Figure 4

Forecast Summary Windsor CMA Spring 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	5,832	5,661	5,047	4,800	-5	4,650	-3
MLS® New Listings	10,195	11,297	11,802	12,000	2	n/a	-
MLS® Average Price ($)	159,597	163,001	164,123	162,400	-1	160,000	-1
New Home Market							
Starts:							
Single-Detached	1,539	1,110	692	350	-49	320	-9
Multiples	748	386	353	206	-42	190	-8
Starts - Total	2,287	1,496	1,045	556	-47	510	-8
Average Price ($):							
Single-Detached	213,469	234,959	252,302	285,000	13	n/a	-
Median Price ($):							
Single-Detached	180,000	189,900	210,470	265,000	26	n/a	-
New Housing Price Index (% chg.)	0.4	2.9	-0.1	-1.1	-	1.6	-
Rental Market							
October Vacancy Rate (%)	8.8	10.3	10.4	8.5	-1.9	6.0	-2.5
Two-bedroom Average Rent (October) ($)	776	780	765	768	0	782	2
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level	161,900	161,300	165,100	160,000	-3	162,000	1
Employment Growth (%)	-0.3	-0.4	2.4	-3.0	n/a	1.0	n/a
Unemployment rate (%)	8.7	7.9	9.0	9.6	8.6	9.5	-1.0
Net Migration	806	-320	-424	-500	-17.9	400	n/a

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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